

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Joint Application of Wisconsin Electric Power)
Company, as an Electric Public Utility, for Authority to)
Construct a New Distribution Substation and Related)
Electric Distribution Facilities in the City of)
Wauwatosa and American Transmission Company,)
LLC, as an Electric Public Utility, for Authority to)
Construct Related 138 kV Electric Transmission)
Facilities in the Cities of Milwaukee and Wauwatosa,)
all in Milwaukee County, Wisconsin (Western)
Milwaukee County Electric Reliability Project))

Docket No. 5-CE-139

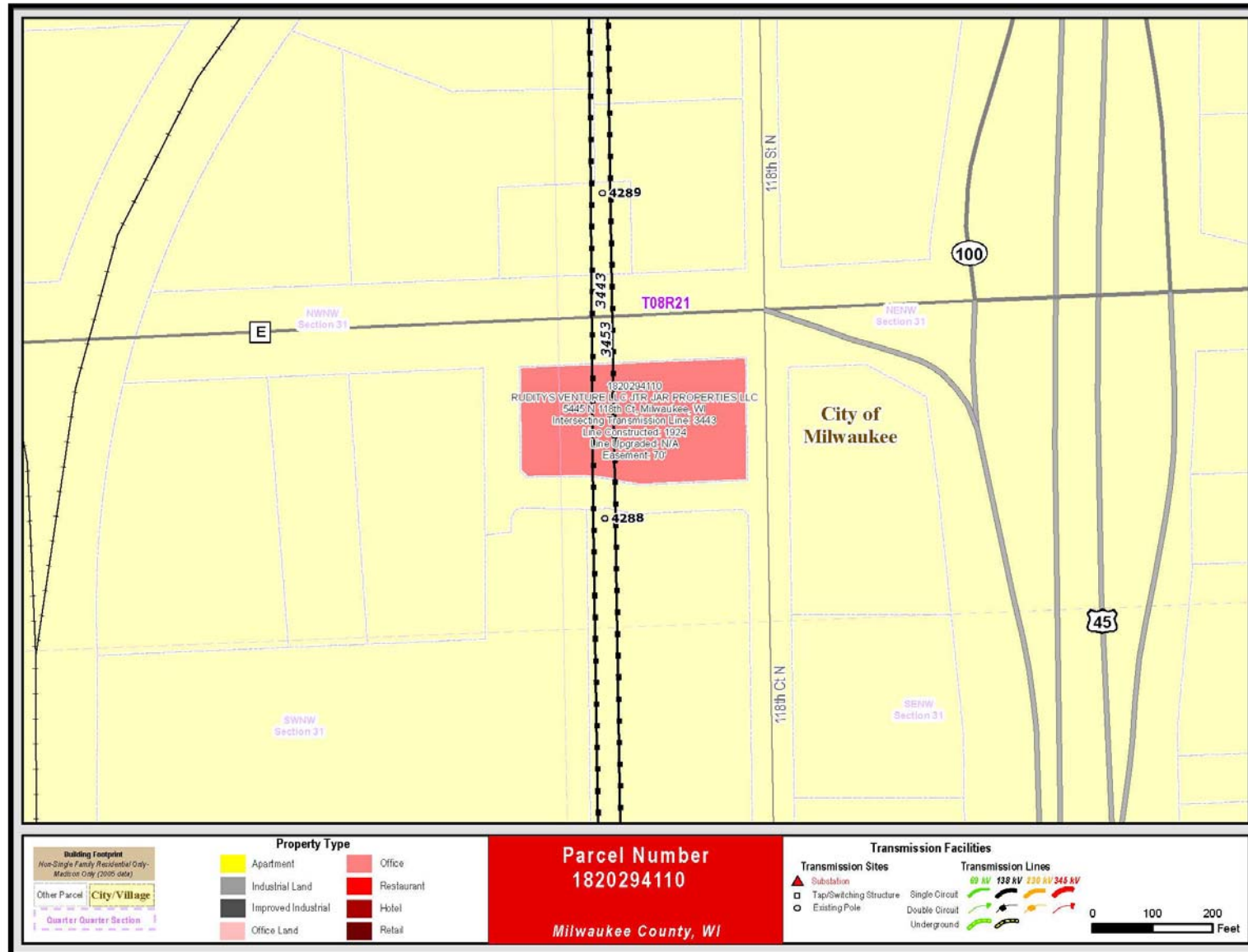
EX.-ATC-JACKSON-1

5445 North 118th Court, Milwaukee: The subject property is a 20,509 square foot, two story brick office building at 5445 North 118th Court in Milwaukee, Wisconsin. This building, built in 1989 on 1.72 acres, sold in March 2005 for \$1,800,000, or \$87.77 per square foot. The buyer confirmed that this was an arms-length transaction and that the building was in good condition at the time of sale. A mortgage was obtained from M&I Bank. The buyer, who planned to occupy a portion of the building and lease out the remaining space, spent approximately \$250,000 after the sale on tenant improvements, resulting in an adjusted price per square foot of \$99.96. The building has a leasable area of 18,320 square feet, and at the time of sale was approximately 90% occupied by a variety of office tenants.

Two double circuit 138 kV electric transmission lines and a 70-foot easement bisect the property, passing through the parking lot directly beside the building. The lines and towers are prominently visible from all areas of the property. The buyer reported that the presence of the lines “wasn’t even an issue when purchased” and that he “has owned it for a long time and the lines have never been a problem.” He went on to say that “transmission lines shouldn’t affect office or commercial/industrial properties.”







Paired Sales: The subject property can be compared to a set of otherwise similar sales of office buildings that are not located in proximity to a high voltage transmission line. Four comparable sales were selected for this purpose. The characteristics of the subject and comparable sales are presented below in Table 5.

Table 5. Paired Sales for 5445 N 118th Ct						
Property Address	Sale Date	Sale Price	Building Size (SF)	Adjusted Price per SF	Year Built/ Condition	Presence of a Basement
5445 N 118 th Ct (Subject)	March 2005	\$1,800,000 (+ \$250,000 for TI)	20,509	\$99.96	1989/Good	None
8405 W Forest Home Av	August 2003	\$1,325,000	13,072	\$101.36	1986/Good	None
2363 S 102 nd St	May 2005	\$1,100,000	15,780	\$69.71	1979/Good	33% of leasable area
8112 W Bluemound Rd	January 2006	\$2,200,000	32,272	\$68.17	1973/Good	33% of leasable area
9800 W Bluemound Rd	December 2006	\$1,675,000 (+ \$140,000 deferred maintenance)	22,066	\$82.25	1970/ Average	6% of leasable area

The first comparable involves the sale of a 13,072 square foot brick office building at 8405 West Forest Home Avenue in Greenfield, Wisconsin. This building, built in 1986 on 0.6 acres, sold in August 2003 for \$1,325,000, or \$101.36 per square foot. According to the listing broker, this was an arms-length transaction and the building was in good condition at the time of sale. The property was purchased by a chiropractor who now occupies a portion of the building. The broker reported that the property was almost fully leased at the time of sale by a mix of medical and general office tenants. This property has an excellent location in a desirable commercial area.

The second comparable involves the sale of a 15,780 square foot brick office building at 2363 South 102nd Street in West Allis, Wisconsin. This building, built in 1979 on approximately one acre, sold in May 2005 for \$1,100,000, or \$69.71 per square foot. The seller confirmed that this was an arms-length transaction and that the property was in good condition at the time of sale. He reported that the property was “pretty full” at the time of sale with a mix of medical and general office tenants. The building includes two stories above ground and a lower floor of approximately 5,260 square feet of leasable area that is partly below ground level. The seller stated that the office space on the lower floor leased for “a little less” than the upper floor, but that the lease terms varied by tenant. The buyer purchased the property with the intent of occupying a portion of the building and leasing out the remaining space.

The third comparable involves the sale of a 32,272 square foot office building at 8112 West Bluemound Road in Wauwatosa, Wisconsin. This masonry and glass building, built in 1973 on 1.14 acres, sold in January 2006 for \$2,200,000, or \$68.17 per square foot. A representative of the seller confirmed that this transaction was arms-length and that the property was in good condition at the time of sale. The building contains two stories above ground as well as a basement. The basement is leasable area, but according to the seller it leased for approximately \$2 per square foot less than the above ground office space. At the time of the transaction, the seller occupied the entire second floor and the remaining space was leased to a variety of office tenants. The seller vacated the property after the sale.

The last comparable involves the sale of a 22,066 square foot brick office building at 9800 West Bluemound Road in Wauwatosa, Wisconsin. This building, built in 1970 on 0.48 acres, sold in December 2006 for \$1,675,000, or \$75.91 per square foot. According to the listing broker, this was an arms-length transaction. The buyer estimated that he would spend approximately \$140,000 on “immediate physical needs,” including a new roof, replacing broken ceiling tiles, fire protection, and repair of the brick. The buyer had leased space in the building prior to the sale and planned to continue occupying a portion of the property. Only 16,890 square feet of the building is leasable area, and at the time of sale, the property was 82% occupied. There are two stories above ground and a basement with a limited amount of leasable area. This building is attached to another building on the corner of Bluemound and 99th by a walkway, but the adjoining building was not included in the sale.¹

The subject property’s sale price per square foot of \$99.96 (adjusted for the additional cost of tenant improvements) is bracketed by the prices per square foot of the comparable sales (ranging from \$68.17 to \$101.36). The comparable sales are generally similar in terms of location (I-45 corridor of Milwaukee), type (low rise office buildings) and other elements. However, more detailed individual comparisons follow which consider date of sale (market conditions), location, property age/condition, and presence of a basement.

The subject property sold in 2005, when the Milwaukee County commercial real estate market was experiencing appreciation at 8% (commercial land) and 9% (improved commercial). The building was built in 1989 (16 years old at the time of sale) and was reportedly in good condition. It is located to the west of Interstate 45 in the northwestern Milwaukee submarket. The subject building is entirely above ground. Comparable Sale 1 (8405 W Forest Home Av) is similar to the subject in terms of age/condition (17 years old and in good condition at time of sale) and presence of a basement (none, all above-ground). Market conditions in 2003 were inferior relative to the subject’s date of sale. However, Comparable Sale 1 has a location that is

¹ The adjoining building was owned by the seller and subsequently sold to a tenant, but the broker reported that the sale of the adjoining building was a related party transaction.

superior to the subject, as it is located in a highly desirable commercial area of Greenfield in the southwestern Milwaukee submarket. Overall, Comparable Sale 1 is similar to slightly superior to the subject.

Comparable Sale 2 (2363 S 102nd St) is similar to the subject in terms of market conditions (same year of sale) and location along I-45 (around eight miles to the south of the subject). However, this building was built in 1979 and was 26 years old at the time of sale (inferior). In addition, approximately 1/3 of this comparable's leasable area is located on the basement level, and generally this space leases for less than the upper floors. The presence of leasable area on the basement level is an inferior characteristic when compared to the subject, which is entirely above ground level. Overall, Comparable Sale 2 is inferior to the subject sale.

Comparable Sale 3 (8112 W Bluemound) has a slightly inferior location around 6 miles to the south of the subject and nearly a mile to the east of I-45 along a smaller thoroughfare. Market conditions in 2006 were superior relative to the subject's date of sale. However, the building was 33 years old at the time of sale and approximately 1/3 of this comparable's leasable area is located on the basement level (inferior). Overall, Comparable Sale 3 is inferior to the subject sale.

Comparable Sale 4 (9800 W Bluemound) is similar to the subject in terms of location along I-45, and is around 6 miles to the south of the subject. Market conditions in 2006 were superior relative to the subject's date of sale. The building was 36 years old and in average condition at the time of sale and has approximately 6% of its leasable area on the basement level (inferior). Overall, Comparable Sale 4 is inferior to the subject sale.

In sum, the subject sale's price per square foot falls within the upper end of the range of market prices, which indicates no price discount or diminution in value attributable to the presence of the high voltage transmission lines. This market data further confirms the buyer's statement that the transmission lines which bisect the property had no impact on the terms of sale.